BUSINESS REPORT

MONTANA HOUSE OF REPRESENTATIVES
62nd LEGISLATURE - REGULAR SESSION

HOUSE TAXATION COMMITTEE

Date: Tuesday, April 5, 2011
Place: Capitol

Time: 8:00 AM
Room: 152

BILLS and RESOLUTIONS HEARD:

SB 358 - Generally revise tax increment financing districts
SB 406 - Central assessment mediation instead of dispute review or tax appeal board
SJ 17 - Interim study of valuing centrally assessed property for tax purposes

EXECUTIVE ACTION TAKEN:

SB 295 (BCIA)
SB 311 (BCIA)
SB 372 (BCIA)

Comments:

REP. Mark Blasdel, Chair

HOUSE OF REPRESENTATIVES
ROLL CALL
TAXATION COMMITTEE

DATE: 4/5/11

NAMES	PRESENT	ABSENT/EXCUSED
Vice Chair Mike Miller		✓
Rep. Dick Barrett	✓	
Rep. Alan Hale		✓
Rep. Lee Randall	✓	
Rep. Mike Phillips	✓	
Rep. Steve Lavin	✓	
Rep. Austin Knudsen	✓	
Rep. Edie McClafferty	✓	
Rep. Max Yates	✓	
Rep. Janna Taylor		✓
Rep. Sue Malek	✓	
Rep. Brian Hoven	✓	
Rep. Mary McNally	✓	
Rep. Steve Fitzpatrick	✓	
Rep. Kelly Flynn	✓	
Rep. Kathleen Williams		✓
Rep. Jerry O'Neil	✓	
Rep. Wayne Stahl		✓
Chairman Mark Blasdel	✓	

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HOUSE STANDING COMMITTEE REPORT

April 5, 2011

Mr. Speaker:

We, your committee on **Taxation** recommend that **Senate Bill 295** (third reading copy -- blue) **be concurred in as amended.**

Signed: [signature]
Representative Mark Blasdel, Chair

To be carried by Representative Janna Taylor

And, that such amendments read:

1. Page 3, line 11.
Strike: "INFORMATION"
Insert: "aggregate model output"

\- END -

Committee Vote:
Yes 18, No 0
Fiscal Note Required __

SB0295001SC03840.hgh

4/5 1:30pm

HOUSE STANDING COMMITTEE REPORT

April 5, 2011

Mr. Speaker:

We, your committee on **Taxation** recommend that **Senate Bill 371** (third reading copy -- blue) **be concurred in as amended.**

Signed: ______________________
Representative Mark Blasdel, Chair

To be carried by Representative Austin Knudsen

And, that such amendments read:

1. Title, page 1, line 9.
Following: "~~CHEMICALS,~~"
Insert: "PROVIDING EXEMPTIONS FROM PROPERTY TAXES, INDIVIDUAL INCOME TAXES, CORPORATION LICENSE TAXES, AND OTHER BUSINESS-RELATED TAXES; APPLYING THE FIREARMS LIABILITY LAW TO AMMUNITION;"

2. Title, page 1, line 11.
Following: "~~21-1-720,~~"
Insert: "15-6-219, 15-30-2110, 15-31-113, 27-1-720,"
Following: "90-1-118~~,~~"
Insert: ","

3. Title, page 1, line 12.
Following: "~~DATES~~"
Insert: "AND APPLICABILITY DATES"

4. Page 1.
Following: line 15
Strike: everything after the enacting clause
Insert: "NEW SECTION. **Section 1. Short title.** [Sections 1 through 6] may be cited as the "Montana Ammunition Availability Act"."
Insert: "NEW SECTION. **Section 2. Legislative findings.** (1) In

Committee Vote:
Yes 12, No 6
Fiscal Note Required __

SB0371001SC08078.hgh

4/5 1:30

recognition that the people of Montana have reserved to themselves the individual right to bear arms in Article II, section 12, of the Montana constitution, the legislature finds that both this right and the firearms that the people possess are at serious risk if the people cannot obtain ammunition for firearms. An adequate source of ammunition is an indivisible and essential part of the right to bear arms. The people of Montana are totally dependent upon a very few manufacturers of smokeless propellant, small arms primers, and cartridge cases located in other states for small arms ammunition used in Montana.

(2) The legislature intends to encourage the manufacture of smokeless propellant, small arms primers, and cartridge cases within the borders of Montana to ensure availability of small arms ammunition for the people of Montana and to fully implement the right to bear arms that the people have reserved to themselves. "

Insert: "NEW SECTION. **Section 3. Definitions.** As used in [sections 1 through 6], the following definitions apply:

(1) "Ammunition components" means smokeless propellants, small arms primers, and cartridge cases.

(2) "Black powder" means a propellant made from potassium or sodium nitrate, charcoal, and sulfur or a substitute for black powder made differently that is used for conventional small arms or antique or replica arms.

(3) "Cartridge cases" means the casings that contain and hold together the propellant, primer, and bullet and that may be formed from brass, aluminum, steel, plastic, or some combination of those or other materials.

(4) "Primary business" means a manufacturer in which more than one-half of its product produced is and more than one-half of its gross income comes from sales of smokeless propellant, small arms primers, cartridge cases, or any combination of those items.

(5) "Propellant" includes smokeless propellant and black powder or black powder substitutes.

(6) "Small arms" means pistols, revolvers, rifles, shotguns, and other similar devices that are portable by one person, the possession and use of which are protected by Article II, section 12, of the Montana constitution.

(7) "Small arms primers" means the priming component for a round of ammunition intended for use in small arms that is usually made of a cup, an anvil, and a shock-sensitive chemical compound and is designed to ignite the propellant in an ammunition cartridge for conventional small arms.

(8) "Smokeless propellant" means a chemical substance designed to expel a projectile from small arms through burning and expansion at a quick but controlled burning rate."

Insert: "NEW SECTION. **Section 4. Tax exemptions -- period -- conditions.** (1) Subject to subsection (3), a person or entity in this state engaged in the primary business of the manufacture of ammunition components that meets the conditions in subsection (2) is exempt from:

(a) property taxes levied for state educational purposes under 15-10-108, 20-9-331, 20-9-333, 20-9-360, and 20-25-439;

(b) business equipment tax levied pursuant to 15-6-138;

(c) individual income taxes as provided in Title 15, chapter 30;

(d) corporate license or income tax as provided in Title 15, chapter 31; and

(e) any other tax on business activity levied by the state, except:

(i) the local portion of property tax not exempt under subsection (1)(a); or

(ii) an employer's share of employee payroll taxes that are used to finance state-mandated programs, including unemployment insurance and workers' compensation.

(2) A person or entity in this state engaged in the primary business of the manufacture of ammunition components is exempt from taxation as provided under subsection (1) until December 31, 2030, if the person's or entity's business meets the following conditions:

(a) the products of the business are and remain available to commercial and individual consumers in the state;

(b) in-state commercial and individual consumers have priority over out-of-state consumers for access to the products of the business;

(c) the business sells its products to in-state commercial and individual consumers for a price no greater than that for out-of-state purchasers, including any products that leave the state regardless of destination or purchaser; and

(d) the business does not enter into any agreement or contract that could actually or potentially command or commit all of its production to out-of-state consumers or interfere with or prohibit sales and provision of products to in-state consumers.

(3) The exemptions allowed under subsection (1) apply only to the property, income, and business activity attributable to the manufacture of ammunition components."

Insert: "<u>NEW SECTION.</u> **Section 5. Tort liability.** The provisions of 27-1-720 apply to ammunition components and propellants manufactured in Montana. "

Insert: "<u>NEW SECTION.</u> **Section 6. Economic development.** The manufacture of ammunition components is a qualified economic development purpose pursuant to 90-1-116 through 90-1-119 and Title 90, chapter 1, part 2. "

Insert: "**Section 7.** Section 15-6-219, MCA, is amended to read:

"**15-6-219. Personal and other property exemptions.** The following categories of property are exempt from taxation:

(1) harness, saddlery, and other tack equipment;

(2) the first $15,000 or less of market value of tools owned by the taxpayer that are customarily hand-held and that are used to:

(a) construct, repair, and maintain improvements to real property; or

(b) repair and maintain machinery, equipment, appliances, or other personal property;

(3) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

(4) a bicycle, as defined in 61-8-102, used by the owner for personal transportation purposes;

(5) items of personal property intended for rent or lease in the ordinary course of business if each item of personal property satisfies all of the following:

(a) the acquired cost of the personal property is less than $15,000;

(b) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals and no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

(c) the lease of the personal property is generally on an hourly, daily, weekly, semimonthly, or monthly basis;

(6) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture, launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and that are directly used for space vehicle design, manufacture, launch, repair, and maintenance; ~~and~~

(7) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105<u>; and</u>

<u>(8) property used in the manufacture of ammunition components as provided in [section 4]</u>.""

Insert: "<u>NEW SECTION.</u> **Section 8. Manufacture of ammunition components -- exemption from statewide property taxes.** As provided in [section 4], property used in the manufacture of ammunition components is exempt from the property taxes levied for state educational purposes under 15-10-108, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. The exemption must be administered and applied for as provided in [sections 1 through 6]."

Insert: "Section 9. Section 15-30-2110, MCA, is amended to read:

"**15-30-2110. Adjusted gross income.** (1) Subject to subsection (13), adjusted gross income is the taxpayer's federal adjusted gross income as defined in section 62 of the Internal Revenue Code, 26 U.S.C. 62, and in addition includes the following:

(a) (i) interest received on obligations of another state or territory or county, municipality, district, or other political subdivision of another state, except to the extent that the interest is exempt from taxation by Montana under federal law;

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, 26 U.S.C. 852(b)(5), that are attributable to the interest referred to in subsection (1)(a)(i);

(b) refunds received of federal income tax, to the extent that the deduction of the tax resulted in a reduction of Montana income tax liability;

(c) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the income;

(d) depreciation or amortization taken on a title plant as defined in 33-25-105;

(e) the recovery during the tax year of an amount deducted in any prior tax year to the extent that the amount recovered reduced the taxpayer's Montana income tax in the year deducted;

(f) if the state taxable distribution of an estate or trust is greater than the federal taxable distribution of the same estate or trust, the difference between the state taxable distribution and the federal taxable distribution of the same estate or trust for the same tax period; and

(g) except for exempt-interest dividends described in subsection (2)(a)(ii), for tax years commencing after December 31, 2002, the amount of any dividend to the extent that the dividend is not included in federal adjusted gross income.

(2) Notwithstanding the provisions of the Internal Revenue Code, adjusted gross income does not include the following, which are exempt from taxation under this chapter:

(a) (i) all interest income from obligations of the United States government, the state of Montana, or a county, municipality, district, or other political subdivision of the state and any other interest income that is exempt from taxation by Montana under federal law;

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, 26 U.S.C. 852(b)(5), that are attributable to the interest referred to in subsection (2)(a)(i);

(b) interest income earned by a taxpayer who is 65 years of age or older in a tax year up to and including $800 for a taxpayer filing a separate return and $1,600 for each joint return;

(c) (i) except as provided in subsection (2)(c)(ii), the first $3,600 of all pension and annuity income received as defined in 15-30-2101;

(ii) for pension and annuity income described under subsection (2)(c)(i), as follows:

(A) each taxpayer filing singly, head of household, or married filing separately shall reduce the total amount of the exclusion provided in subsection (2)(c)(i) by $2 for every $1 of federal adjusted gross income in excess of $30,000 as shown on the taxpayer's return;

(B) in the case of married taxpayers filing jointly, if both taxpayers are receiving pension or annuity income or if only one taxpayer is receiving pension or annuity income, the exclusion claimed as provided in subsection (2)(c)(i) must be reduced by $2 for every $1 of federal adjusted gross income in excess of $30,000 as shown on their joint return;

(d) all Montana income tax refunds or tax refund credits;

(e) gain required to be recognized by a liquidating corporation under 15-31-113(1)(a)(ii);

(f) all tips or gratuities that are covered by section 3402(k) or service charges that are covered by section 3401 of the Internal Revenue Code of 1954, 26 U.S.C. 3402(k) or 3401, as amended and applicable on January 1, 1983, received by a person for services rendered to patrons of premises licensed to provide food, beverage, or lodging;

(g) all benefits received under the workers' compensation laws;

(h) all health insurance premiums paid by an employer for an employee if attributed as income to the employee under federal law;

(i) all money received because of a settlement agreement or judgment in a lawsuit brought against a manufacturer or distributor of "agent orange" for damages resulting from exposure to "agent orange";

(j) principal and income in a medical care savings account established in accordance with 15-61-201 or withdrawn from an account for eligible medical expenses, as defined in 15-61-102, of the taxpayer or a dependent of the taxpayer or for the long-term care of the taxpayer or a dependent of the taxpayer;

(k) principal and income in a first-time home buyer savings account established in accordance with 15-63-201 or withdrawn from an account for eligible costs, as provided in 15-63-202(7), for the first-time purchase of a single-family residence;

(l) contributions withdrawn from a family education savings account or earnings withdrawn from a family education savings account for qualified higher education expenses, as defined in 15-62-103, of a designated beneficiary;

(m) the recovery during the tax year of any amount deducted in any prior tax year to the extent that the recovered amount did not reduce the taxpayer's Montana income tax in the year deducted;

(n) if the federal taxable distribution of an estate or trust is greater than the state taxable distribution of the same estate or trust, the difference between the federal taxable distribution and the state taxable distribution of the same estate or trust for the same tax period;

(o) deposits, not exceeding the amount set forth in 15-30-3003, deposited in a Montana farm and ranch risk management account, as provided in 15-30-3001 through 15-30-3005, in any tax year for which a deduction is not provided for federal income tax purposes;

(p) income of a dependent child that is included in the taxpayer's federal adjusted gross income pursuant to the Internal Revenue Code. The child is required to file a Montana personal income tax return if the child and taxpayer meet the filing requirements in 15-30-2602.

(q) principal and income deposited in a health care expense trust account, as defined in 2-18-1303, or withdrawn from the account for payment of qualified health care expenses as defined in 2-18-1303;

(r) that part of the refundable credit provided in 33-22-2006 that reduces Montana tax below zero; ~~and~~

(s) the amount of the gain recognized from the sale or exchange of a mobile home park as provided in 15-31-163<u>; and</u>

<u>(t) income received from the manufacture of ammunition components by an owner, partner, or manager engaged in the primary business of the manufacture of ammunition as provided in [section 4]</u>.

(3) A shareholder of a DISC that is exempt from the corporation license tax under 15-31-102(1)(l) shall include in the shareholder's adjusted gross income the earnings and profits of the DISC in the same manner as provided by section 995 of the Internal Revenue Code, 26 U.S.C. 995, for all periods for which the DISC election is effective.

(4) A taxpayer who, in determining federal adjusted gross income, has reduced the taxpayer's business deductions by an amount for wages and salaries for which a federal tax credit was elected under sections 38 and 51(a) of the Internal Revenue Code, 26 U.S.C. 38 and 51(a), is allowed to deduct the amount of the wages and salaries paid regardless of the credit taken. The deduction must be made in the year that the wages and salaries were used to compute the credit. In the case of a partnership or small business corporation, the deduction must be made to determine the amount of income or loss of the partnership or small business corporation.

(5) Married taxpayers filing a joint federal return who are required to include part of their social security benefits or part of their tier 1 railroad retirement benefits in federal adjusted gross income may split the federal base used in calculation of federal taxable social security benefits or federal taxable tier 1 railroad retirement benefits when they file separate Montana income tax returns. The federal base must be split equally on the Montana return.

(6) Married taxpayers filing a joint federal return who are allowed a capital loss deduction under section 1211 of the Internal Revenue Code, 26 U.S.C. 1211, and who file separate Montana income tax returns may claim the same amount of the capital loss deduction that is allowed on the federal return. If the allowable capital loss is clearly attributable to one spouse, the loss must be shown on that spouse's return; otherwise, the loss must be split equally on each return.

(7) In the case of passive and rental income losses, married taxpayers filing a joint federal return and who file separate Montana income tax returns are not required to recompute allowable passive losses according to the federal passive activity rules for married taxpayers filing separately under section 469 of the Internal Revenue Code, 26 U.S.C. 469. If the allowable passive loss is clearly attributable to one spouse, the loss must be shown on that spouse's return; otherwise, the loss must be split equally on each return.

(8) Married taxpayers filing a joint federal return in which one or both of the taxpayers are allowed a deduction for an individual retirement contribution under section 219 of the Internal Revenue Code, 26 U.S.C. 219, and who file separate Montana income tax returns may claim the same amount of the deduction that is allowed on the federal return. The deduction must be attributed to the spouse who made the contribution.

(9) (a) Married taxpayers filing a joint federal return who are allowed a deduction for interest paid for a qualified education loan under section 221 of the Internal Revenue Code, 26 U.S.C. 221, and who file separate Montana income tax returns may claim the same amount of the deduction that is allowed on the federal return. The deduction may be split equally on each return or in proportion to each taxpayer's share of federal adjusted gross income.

(b) Married taxpayers filing a joint federal return who are allowed a deduction for qualified tuition and related expenses under section 222 of the Internal Revenue Code, 26 U.S.C. 222, and who file separate Montana income tax returns may claim the same amount of the deduction that is allowed on the federal return. The deduction may be split equally on each return or in proportion to each taxpayer's share of federal adjusted gross income.

(10) A taxpayer receiving retirement disability benefits who has not attained 65 years of age by the end of the tax year and who has retired as permanently and totally disabled may exclude from adjusted gross income up to $100 a week received as wages or payments in lieu of wages for a period during which the employee is absent from work due to the disability. If the adjusted gross income before this exclusion exceeds $15,000, the excess reduces the exclusion by an equal amount. This limitation affects the amount of exclusion, but not the taxpayer's eligibility for the exclusion. If eligible, married individuals shall apply the exclusion separately, but the limitation for income exceeding $15,000 is determined with respect to the spouses on their combined adjusted gross income. For the purpose of this subsection, "permanently and totally disabled" means unable to engage in any substantial gainful activity by reason of any medically determined physical or mental impairment lasting or expected to last at least 12 months.

(11) An individual who contributes to one or more accounts established under the Montana family education savings program

may reduce adjusted gross income by the lesser of $3,000 or the amount of the contribution. In the case of married taxpayers, each spouse is entitled to a reduction, not in excess of $3,000, for the spouses' contributions to the accounts. Spouses may jointly elect to treat half of the total contributions made by the spouses as being made by each spouse. The reduction in adjusted gross income under this subsection applies only with respect to contributions to an account of which the account owner, as defined in 15-62-103, is the taxpayer, the taxpayer's spouse, or the taxpayer's child or stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of subsection (1)(e) do not apply with respect to withdrawals of contributions that reduced adjusted gross income.

(12) (a) A taxpayer may exclude the amount of the loan payment received pursuant to subsection (12)(a)(iv), not to exceed $5,000, from the taxpayer's adjusted gross income if the taxpayer:

(i) is a health care professional licensed in Montana as provided in Title 37;

(ii) is serving a significant portion of a designated geographic area, special population, or facility population in a federally designated health professional shortage area, a medically underserved area or population, or a federal nursing shortage county as determined by the secretary of health and human services or by the governor;

(iii) has had a student loan incurred as a result of health-related education; and

(iv) has received a loan payment during the tax year made on the taxpayer's behalf by a loan repayment program described in subsection (12)(b) as an incentive to practice in Montana.

(b) For the purposes of subsection (12)(a), a loan repayment program includes a federal, state, or qualified private program. A qualified private loan repayment program includes a licensed health care facility, as defined in 50-5-101, that makes student loan payments on behalf of the person who is employed by the facility as a licensed health care professional.

(13) Notwithstanding the provisions of subsection (1), adjusted gross income does not include 40% of capital gains on the sale or exchange of capital assets before December 31, 1986, as capital gains are determined under subchapter P. of Chapter 1 of the Internal Revenue Code as it read on December 31, 1986.

(14) By November 1 of each year, the department shall multiply the amount of pension and annuity income contained in subsection (2)(c)(i) and the federal adjusted gross income amounts in subsection (2)(c)(ii) by the inflation factor for that tax year, but using the year 2009 consumer price index, and rounding the results to the nearest $10. The resulting amounts are effective for that tax year and must be used as the basis for the exemption determined under subsection (2)(c). (Subsection (2)(f) terminates on occurrence of contingency--sec. 3, Ch. 634, L. 1983; subsection (2)(o) terminates on occurrence of

contingency--sec. 9, Ch. 262, L. 2001.)""

Insert: "Section 10. Section 15-31-113, MCA, is amended to read:

"15-31-113. Gross income and net income. (1) The term "gross income" means all income recognized in determining the corporation's gross income for federal income tax purposes and:

(a) including:

(i) interest exempt from federal income tax and exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code of 1986, as that section may be amended or renumbered;

(ii) the portion of gain from a liquidation of the reporting corporation not recognized for federal corporate income tax purposes pursuant to sections 331 through 337 of the Internal Revenue Code, as those sections may be amended or renumbered, attributable to stockholders, either individual or corporate, not subject to Montana income or license tax under Title 15, chapter 30 or chapter 31, as appropriate, on the gain passing through to the stockholders pursuant to federal law; and

(b) excluding<u>:</u>

<u>(i)</u> gain recognized for federal tax purposes as a shareholder of a liquidating corporation pursuant to sections 331 through 337 of the Internal Revenue Code, as those sections may be amended or renumbered, when the gain is required to be recognized by the liquidating corporation pursuant to subsection (1)(a)(ii) of this section<u>; and</u>

<u>(ii) income received by a corporation from the manufacture of ammunition components if it is engaged in the primary business of the manufacture of ammunition as provided in [section 4]</u>.

(2) The term "net income" means the gross income of the corporation less the deductions set forth in 15-31-114.

(3) A corporation is not exempt from the corporation license tax unless specifically provided for under 15-31-101(3) or 15-31-102. Any corporation not subject to or liable for federal income tax but not exempt from the corporation license tax under 15-31-101(3) or 15-31-102 shall compute gross income for corporation license tax purposes in the same manner as a corporation that is subject to or liable for federal income tax according to the provisions for determining gross income in the federal Internal Revenue Code in effect for the taxable year.""

"Section 11. Section 27-1-720, MCA, is amended to read:

"27-1-720. Liability -- defect in design of firearms or ammunition. (1) In a products liability action, no firearm<u>, ammunition component that was manufactured in Montana as provided in [section 5],</u> or ammunition may be considered defective in design on the basis that the benefits of the product do not outweigh the risk of injury posed by its potential to cause serious injury, damage, or death when discharged.

(2) For purposes of this section:

(a) the potential of a firearm or ammunition to cause serious injury, damage, or death when discharged does not make the product defective in design; and

(b) injuries or damages resulting from the discharge of a firearm or ammunition are not proximately caused by its potential to cause serious injury, damage, or death but are proximately caused by the actual discharge of the product.

(3) The provisions of this section do not affect a products liability cause of action based upon the improper selection of design alternatives.""

Insert: "Section 12. Section 90-1-118, MCA, is amended to read:

"90-1-118. Small business eligibility criteria. (1) To be eligible for a state matching grant under 90-1-117 through 90-1-119, a business shall provide evidence to the department of commerce that the business meets all of the following criteria:

~~(1)~~ (a) the business is a for-profit sole proprietorship, partnership, limited liability company, limited liability partnership, or corporation registered with the secretary of state under Title 35 and has its principal place of business in this state;

~~(2)~~ (b) the business has received a phase I award under a small business innovative research grant or small business technology transfer grant from a participating federal agency in response to a specific federal solicitation;

~~(3)~~ (c) the business meets all federal eligibility requirements for a small business innovative research grant or a small business technology transfer grant;

~~(4)~~ (d) the business is not concurrently receiving funding from other state funding programs that duplicate the purpose stated in 90-1-117;

~~(5)~~ (e) the business certifies that at least 51% of the research described in the business's proposal for phase II funding under a small business innovative research grant or small business technology transfer grant is to be conducted in this state and that the business will remain a Montana-based business for the duration of a phase II project under a small business innovative research grant or small business technology transfer grant; and

~~(6)~~ (f) the business demonstrates an ability to conduct research for the business's phase II proposal under the small business innovative research grant or small business technology transfer grant.

(2) As provided in [section 6], the manufacture of ammunition components is a qualified economic development purpose.""

Insert: "Section 13. Section 90-1-202, MCA, is amended to read:

"90-1-202. Purpose. (1) The legislature finds and declares that economic development is a public purpose. The purpose of the big sky economic development program is to assist in economic development for Montana that will:

~~(1)~~ (a) create good-paying jobs for Montana residents;

~~(2)~~ (b) promote long-term, stable economic growth in Montana;

~~(3)~~ (c) encourage local economic development organizations;

~~(4)~~ (d) create partnerships between the state, local governments, tribal governments, and local economic development organizations that are interested in pursuing these same economic development goals;

~~(5)~~ (e) retain or expand existing businesses;

~~(6)~~ (f) provide a better life for future generations through greater economic growth and prosperity in Montana; and

~~(7)~~ (g) encourage workforce development, including workforce training and job creation, in high-poverty counties by providing targeted assistance.

(2) As provided in [section 6], the manufacture of ammunition components is a qualified economic development purpose.""

Insert: "NEW SECTION. **Section 14. Codification instruction.** (1) [Sections 1 through 6] are intended to be codified as an integral part of Title 30, chapter 20, and the provisions of Title 30, chapter 20, apply to [sections 1 through 6].

(2) [Section 8] is intended to be codified as an integral part of Title 15, chapter 24, and the provisions of Title 15, chapter 24, apply to [section 8]."

Insert: "NEW SECTION. **Section 15. Severability.** If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications."

Insert: "NEW SECTION. **Section 16. Effective date.** [This act] is effective on passage and approval."

Insert: "NEW SECTION. **Section 17. Retroactive applicability -- applicability.** (1) For the purposes of exemption from individual income taxes and corporation taxes pursuant to [section 4], [this act] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 2010.

(2) For the purposes of exemption from all other taxes, [this act] applies to tax years beginning after December 31, 2012."

\- END -

HOUSE STANDING COMMITTEE REPORT

Mr. Speaker:

We, your committee on **Taxation** recommend that **Senate Bill 372** (third reading copy -- blue) **be concurred in as amended.**

Signed: Mark Blasdel
Representative Mark Blasdel, Chair

To be carried by Representative Mark Blasdel

And, that such amendments read:

1. Title, page 1, line 8.
Strike: "PARTIAL"

2. Title, page 1, line 12.
Following: "REVENUE;"
Insert: "PROVIDING STATUTORY APPROPRIATIONS;"

3. Title, page 1, line 13.
Following: "SECTIONS"
Insert: "15-1-121,"
Following: "15-6-141,"
Insert: "15-10-420,"
Strike: the first "AND"
Following: "15-23-101,"
Insert: "17-7-502, AND 20-9-630,"
Strike: "AN IMMEDIATE"

4. Title, page 1, line 14.
Strike: the first "DATE"
Insert: "DATES"

5. Page 1.
Following: line 17
Insert: "**Section 1.** Section 15-1-121, MCA, is amended to read:

Committee Vote:
Yes 11, No 7
Fiscal Note Required __

SB0372001SC05141.hgh

4/5 1:30

"**15-1-121. Entitlement share payment -- purpose -- appropriation.** (1) As described in 15-1-120(3), each local government is entitled to an annual amount that is the replacement for revenue received by local governments for diminishment of property tax base and various earmarked fees and other revenue that, pursuant to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and later enactments, were consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other revenue in the state treasury with each local government's share. The reimbursement under this section is provided by direct payment from the state treasury rather than the ad hoc system that offset certain state payments with local government collections due the state and reimbursements made by percentage splits, with a local government remitting a portion of collections to the state, retaining a portion, and in some cases sending a portion to other local governments. ~~The amount calculated pursuant to this subsection, as adjusted pursuant to subsection (3)(a)(i), is each local government's base entitlement share. The department shall estimate the total amount of revenue that each local government received from the following sources for the fiscal year ending June 30, 2001:~~

(2) The sources of dedicated revenue that were relinquished by local governments in exchange for an entitlement share of the state general fund were:

(a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999;

(b) vehicle, boat, and aircraft taxes and fees pursuant to:

(i) Title 23, chapter 2, part 5;

(ii) Title 23, chapter 2, part 6;

(iii) Title 23, chapter 2, part 8;

(iv) 61-3-317;

(v) 61-3-321;

(vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment of 61-3-509 in 2001;

(vii) Title 61, chapter 3, part 7;

(viii) 5% of the fees collected under 61-10-122;

(ix) 61-10-130;

(x) 61-10-148; and

(xi) 67-3-205;

(c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);

(d) district court fees pursuant to:

(i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);

(ii) 25-1-202;

(iii) 25-9-506; and

(iv) 27-9-103;

(e) certificate of title fees for manufactured homes pursuant to 15-1-116;

(f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;
(g) all beer, liquor, and wine taxes pursuant to:
(i) 16-1-404;
(ii) 16-1-406; and
(iii) 16-1-411;
(h) late filing fees pursuant to 61-3-220;
(i) title and registration fees pursuant to 61-3-203;
(j) veterans' cemetery license plate fees pursuant to 61-3-459;
(k) county personalized license plate fees pursuant to 61-3-406;
(l) special mobile equipment fees pursuant to 61-3-431;
(m) single movement permit fees pursuant to 61-4-310;
(n) state aeronautics fees pursuant to 67-3-101; and
(o) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77, chapter 1, part 5.

~~(2) (a) From the amounts estimated in subsection (1) for each county government, the department shall deduct fiscal year 2001 county government expenditures for district courts, less reimbursements for district court expenses, and fiscal year 2001 county government expenditures for public welfare programs to be assumed by the state in fiscal year 2002.~~

~~(b)~~ (3) The total amount ~~estimated pursuant to subsections (1) and (2)(a)~~ received by each local government in fiscal year 2010 as an entitlement share payment under this section is the base component for the fiscal year 2011 distribution, and in each subsequent year the prior year entitlement share payment, including any reimbursement payments received pursuant to subsection (7), is each local government's base ~~year~~ component. The sum of all local governments' base ~~year~~ components is the ~~base~~ fiscal year entitlement share pool. ~~For the purpose of calculating the sum of all local governments' base year components, the base year component for a local government may not be less than zero.~~

~~(3)~~ (4) (a) The base ~~year~~ entitlement share pool must be increased annually by a growth rate as provided for in this subsection ~~(3)~~ (4). The amount determined through the application of annual growth rates is the entitlement share pool for each fiscal year. By October 1 of each even-numbered year, the department shall calculate the growth rate of the entitlement share pool for each year of the next biennium in the following manner:

~~(i) Before applying the growth rate for fiscal year 2007 to determine the fiscal year 2007 entitlement share payments, the department shall subtract from the fiscal year 2006 entitlement share payments the following amounts:~~
~~Beaverhead $6,972~~
~~Big Horn $52,551~~
~~Blaine $13,625~~

~~Broadwater $2,564~~
~~Carbon $11,537~~
~~Carter $407~~
~~Cascade $100,000~~
~~Chouteau $3,536~~
~~Custer $7,011~~
~~Daniels $143~~
~~Dawson $3,893~~
~~Fallon $1,803~~
~~Fergus $9,324~~
~~Flathead $100,000~~
~~Gallatin $160,000~~
~~Garfield $91~~
~~Glacier $3,035~~
~~Golden Valley $2,282~~
~~Granite $4,554~~
~~Hill $31,740~~
~~Jefferson $5,700~~
~~Judith Basin $1,487~~
~~Lake $38,314~~
~~Lewis and Clark $160,000~~
~~Liberty $152~~
~~Lincoln $3,759~~
~~Madison $8,805~~
~~McCone $1,651~~
~~Meagher $2,722~~
~~Mineral $2,361~~
~~Missoula $200,000~~
~~Musselshell $23,275~~
~~Park $6,582~~
~~Petroleum $36~~
~~Phillips $653~~
~~Pondera $10,270~~
~~Powder River $848~~
~~Powell $5,146~~
~~Prairie $717~~
~~Ravalli $93,090~~
~~Richland $3,833~~
~~Roosevelt $9,526~~
~~Rosebud $19,971~~
~~Sanders $30,712~~
~~Sheridan $271~~
~~Stillwater $12,117~~
~~Sweet Grass $2,463~~
~~Teton $5,560~~
~~Toole $7,113~~
~~Treasure $54~~
~~Valley $6,899~~
~~Wheatland $918~~
~~Wibaux $72~~
~~Yellowstone $270,000~~

~~Anaconda-Deer Lodge $20,707~~
~~Butte-Silver Bow $53,057~~
~~Alberton $675~~
~~Bainville $258~~
~~Baker $2,828~~
~~Bearcreek $143~~
~~Belgrade $11,704~~
~~Belt $1,056~~
~~Big Sandy $1,130~~
~~Big Timber $2,910~~
~~Billings $163,499~~
~~Boulder $2,340~~
~~Bozeman $52,805~~
~~Bridger $1,303~~
~~Broadus $766~~
~~Broadview $258~~
~~Brockton $414~~
~~Browning $1,830~~
~~Cascade $1,374~~
~~Chester $1,430~~
~~Chinook $2,275~~
~~Choteau $3,050~~
~~Circle $1,018~~
~~Clyde Park $572~~
~~Colstrip $4,090~~
~~Columbia Falls $6,805~~
~~Columbus $3,245~~
~~Conrad $4,562~~
~~Culbertson $1,216~~
~~Cut Bank $5,316~~
~~Darby $1,348~~
~~Deer Lodge $5,708~~
~~Denton $503~~
~~Dillon $6,928~~
~~Dodson $194~~
~~Drummond $561~~
~~Dutton $661~~
~~East Helena $2,888~~
~~Ekalaka $689~~
~~Ennis $1,518~~
~~Eureka $1,733~~
~~Fairfield $1,120~~
~~Fairview $1,152~~
~~Flaxville $143~~
~~Forsyth $3,286~~
~~Fort Benton $2,579~~
~~Fort Peck $393~~
~~Froid $328~~
~~Fromberg $855~~
~~Geraldine $457~~
~~Glasgow $5,361~~

~~Glendive $8,099~~
~~Grass Range $254~~
~~Great Falls $96,422~~
~~Hamilton $7,148~~
~~Hardin $5,920~~
~~Harlem $1,422~~
~~Harlowton $1,678~~
~~Havre $16,223~~
~~Helena $45,877~~
~~Hingham $263~~
~~Hobson $397~~
~~Hot Springs $912~~
~~Hysham $482~~
~~Ismay $43~~
~~Joliet $1,006~~
~~Jordan $606~~
~~Judith Gap $263~~
~~Kalispell $28,144~~
~~Kevin $304~~
~~Laurel $10,804~~
~~Lavina $361~~
~~Lewistown $10,170~~
~~Libby $4,475~~
~~Lima $397~~
~~Livingston $12,145~~
~~Lodge Grass $889~~
~~Malta $3,389~~
~~Manhattan $2,485~~
~~Medicine Lake $410~~
~~Melstone $234~~
~~Miles City $14,152~~
~~Missoula $104,264~~
~~Moore $319~~
~~Nashua $536~~
~~Neihart $149~~
~~Opheim $180~~
~~Outlook $125~~
~~Philipsburg $1,612~~
~~Pinesdale $1,413~~
~~Plains $2,007~~
~~Plentywood $3,185~~
~~Plevna $225~~
~~Polson $7,722~~
~~Poplar $1,544~~
~~Red Lodge $3,903~~
~~Rexford $263~~
~~Richey $309~~
~~Ronan $3,262~~
~~Roundup $3,280~~
~~Ryegate $465~~
~~Saco $354~~

~~Scobey $1,798~~
~~Shelby $5,677~~
~~Sheridan $1,150~~
~~Sidney $7,747~~
~~Stanford $737~~
~~Stevensville $3,063~~
~~St. Ignatius $1,367~~
~~Sunburst $709~~
~~Superior $1,521~~
~~Terry $1,011~~
~~Thompson Falls $2,272~~
~~Three Forks $3,130~~
~~Townsend $3,286~~
~~Troy $1,654~~
~~Twin Bridges $695~~
~~Valier $817~~
~~Virginia City $223~~
~~Walkerville $1,183~~
~~West Yellowstone $2,083~~
~~Westby $263~~
~~White Sulphur Springs $1,734~~
~~Whitefish $9,932~~
~~Whitehall $1,889~~
~~Wibaux $893~~
~~Winifred $259~~
~~Winnett $314~~
~~Wolf Point $4,497~~

~~(ii)~~ (i) The department shall calculate the average annual growth rate of the Montana gross state product, as published by the bureau of economic analysis of the United States department of commerce, for ~~the following periods:~~

~~(A)~~ the last 4 calendar years for which the information has been published~~; and~~

~~(B) the 4 calendar years beginning with the year before the first year in the period referred to in subsection (3)(a)(ii)(A)~~.

~~(iii)~~ (ii) The department shall calculate the average annual growth rate of Montana personal income, as published by the bureau of economic analysis of the United States department of commerce, for ~~the following periods:~~

~~(A)~~ the last 4 calendar years for which the information has been published~~; and~~

~~(B) the 4 calendar years beginning with the year before the first year in the period referred to in subsection (3)(a)(iii)(A)~~.

(b) ~~(i)~~ The entitlement share pool growth rate for ~~the first~~ each year ~~of the biennium~~ must be the following percentage of the average of the growth rates calculated in subsections ~~(3)(a)(ii)(B)~~ (4)(a)(i) and ~~(3)(a)(iii)(B)~~ (4)(a)(ii):

~~(A)~~ (i) for counties, 54%;

~~(B)~~ (ii) for consolidated local governments, 62%; and

~~(C)~~ (iii) for incorporated cities and towns, 70%.

~~(ii) The entitlement share pool growth rate for the second year of the biennium must be the following percentage of the average of the growth rates calculated in subsections (3)(a)(ii)(A) and (3)(a)(iii)(A):~~

~~(A) for counties, 54%;~~

~~(B) for consolidated local governments, 62%; and~~

~~(C) for incorporated cities and towns, 70%.~~

~~(4)~~<u>(5)</u> As used in this section, "local government" means a county, a consolidated local government, an incorporated city, and an incorporated town. A local government does not include a tax increment financing district provided for in subsection ~~(6)~~ <u>(8)</u>. ~~For purposes of calculating the base year component for a county or consolidated local government, the department shall include the revenue listed in subsection (1) for all special districts within the county or consolidated local government.~~ The county or consolidated local government is responsible for making an allocation from the county's or consolidated local government's share of the entitlement share pool to each special district within the county or consolidated local government in a manner that reasonably reflects each special district's loss of revenue sources ~~listed in subsection (1)~~ <u>for which reimbursement is provided in this section</u>.

~~(5)~~<u>(6)</u> (a) The entitlement share pools calculated in this section and the ~~block grants~~ <u>funding</u> provided for in subsection ~~(6)~~<u>(8)</u> are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for distribution to local governments. ~~Each local government is entitled to a pro rata share of each year's entitlement share pool based on the local government's base component in relation to the base year entitlement share pool.~~ The distributions must be made on a quarterly basis.

(b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year and the entitlement share pool in the previous fiscal year. ~~For the purposes of subsection (5)(b)(ii)(A), a county with a negative base year component has a base year component of zero.~~ The growth factor in the entitlement share must be calculated separately for:

(A) counties;

(B) consolidated local governments; and

(C) incorporated cities and towns.

(ii) In each fiscal year, the growth amount for counties must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each county's percentage of the ~~base~~ <u>prior fiscal</u> year entitlement share pool for all counties; and

(B) 50% of the growth amount must be allocated based upon the percentage that each county's population bears to the state population not residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United

States bureau of the census.

(iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each consolidated local government's percentage of the ~~base~~ prior fiscal year entitlement share pool for all consolidated local governments; and

(B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local government's population bears to the state's total population residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each incorporated city's or town's percentage of the ~~base~~ prior fiscal year entitlement share pool for all incorporated cities and towns; and

(B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's population bears to the state's total population residing within incorporated cities and towns as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(v) In each fiscal year, the amount of the entitlement share pool ~~not represented by~~ before the growth amount or adjustments made under subsection (7) are applied is to be distributed to each local government in the same manner as the entitlement share pool was distributed in the prior fiscal year.

(7) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section, the department shall determine the reimbursement amount as provided in the enactment and add the appropriate amount to the entitlement share distribution under this section. The total entitlement share distributions in a fiscal year, including distributions made pursuant to this subsection, equal the local fiscal year entitlement share pool. The ratio of each local government's distribution from the entitlement share pool must be recomputed to determine each local government's ratio to be used in the subsequent year's distribution determination under subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A).

~~(6)~~ (8) (a) If a tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the tax increment financing district is not entitled to any ~~block grant~~ funding. If a tax increment financing district referred to in subsection ~~(6)(b)~~ (8)(b) terminates, then the ~~block grant~~ funding for the district provided for in subsection ~~(6)(b)~~ (8)(b) terminates.

(b) One-half of the payments provided for in this subsection ~~(6)(b)~~ (8)(b) must be made by November 30 and the other half by May 31 of each year. Subject to subsection ~~(6)(a)~~ (8)(a), the entitlement share for tax increment financing districts is as follows:

~~Cascade~~	~~Great Falls - downtown~~	~~$468,966~~
Deer Lodge	TIF District 1	~~3,148~~ $3,148
Deer Lodge	TIF District 2	3,126
~~Flathead~~	~~Kalispell - District 1~~	~~758,359~~
Flathead	Kalispell - District 2	5,153
Flathead	Kalispell - District 3	41,368
Flathead	Whitefish District	164,660
Gallatin	Bozeman - downtown	34,620
~~Lewis and Clark~~	~~Helena - #2~~	~~731,614~~
Missoula	Missoula - ~~1-1B &~~ 1-1C	~~1,100,507~~ 250,279
Missoula	Missoula - 4-1C	33,343
Silver Bow	Butte - uptown	283,801
~~Yellowstone~~	~~Billings~~	~~436,815~~

~~(7)~~(9) The estimated ~~base~~ fiscal year entitlement share pool and any subsequent entitlement share pool for local governments do not include revenue received from tax increment financing districts, from countywide transportation block grants, or from countywide retirement block grants.

~~(8) (a) If revenue that is included in the sources listed in subsections (1)(b) through (1)(o) is significantly reduced, except through legislative action, the department shall deduct the amount of revenue loss from the entitlement share pool beginning in the succeeding fiscal year and the department shall work with local governments to propose legislation to adjust the entitlement share pool to reflect an allocation of the loss of revenue.~~

~~(b) For the purposes of subsection (8)(a), a significant reduction is a loss that causes the amount of revenue received in the current year to be less than 95% of the amount of revenue received in the base year.~~

~~(9)~~(10) A three-fifths vote of each house of the legislature is required to reduce the amount of the entitlement share calculated pursuant to subsections (1) through ~~(3)~~ (4).

~~(10)~~(11) When there has been an underpayment of a local government's share of the entitlement share pool, the department shall distribute the difference between the underpayment and the correct amount of the entitlement share. When there has been an overpayment of a local government's entitlement share, the local government shall remit the overpaid amount to the department.

~~(11)~~(12) A local government may appeal the department's estimation of the base ~~year~~ component, the entitlement share pool growth rate, or a local government's allocation of the entitlement share pool, according to the uniform dispute review procedure in 15-1-211.

~~(12)~~(13) A payment required pursuant to this section may not be offset by a debt owed to a state agency by a local government in accordance with Title 17, chapter 4, part 1.""

Renumber: subsequent sections

6. Page 3, line 7.
Strike: "2012"
Insert: "2013"

7. Page 4, line 1.
Strike: "Partial reimbursement"

Insert: "Reimbursement"

8. Page 4, line 2.
Following: "distribution"
Insert: "-- appropriations"

9. Page 4, line 3.
Strike: "1"
Insert: "2"

10. Page 4, line 5.
Strike: "[" through "]"
Insert: "15-1-121(5)"

11. Page 4, line 6 through line 7.
Strike: "90% of"

12. Page 4, line 7.
Strike: "1"
Insert: "2"

13. Page 4, line 9.
Strike: "1"
Insert: "2"

14. Page 4, line 13.
Following: "payments"
Insert: "under 15-1-121(7)"

15. Page 4, line 13 through page 14.
Strike: "under" on line 13 through "]" on line 14

16. Page 4, line 15.
Strike: "[" through "]"
Insert: "15-1-121(6)"

17. Page 4, line 18.
Strike: "June 15 of each of those"
Insert: "August 1 following each of those fiscal"

18. Page 4, line 20.

Strike: "[" through "]"
Insert: "15-1-121(6)(a)"

19. Page 4, line 26.
Strike: "June 15 of each of those"
Insert: "August 1 following each of those fiscal"

20. Page 4.
Following: line 28
Insert: "(c) The amounts determined under this subsection (3) are statutorily appropriated, as provided in 17-7-502, from the general fund to the office of public instruction for distribution to school districts."

21. Page 5, line 1 through line 2.
Strike: "[" on line 1 through "]" on line 2
Insert: "15-1-121(8)(b)"

22. Page 5, line 3 through line 4.
Strike: "[" on line 3 through "]" on line 4
Insert: "15-1-121(8)"

23. Page 5, line 8.
Strike: "June 15, 2012"
Insert: "August 1 following each of those fiscal years"

24. Page 5, line 10.
Strike: "[" through "]"
Insert: "15-1-121(8)"

25. Page 5, line 17.
Strike: "June 15, 2012"
Insert: "August 1 following each of those fiscal years"

26. Page 5.
Following: line 19
Insert: "(c) The amounts determined under this subsection (5) are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for distribution to the Montana board of regents for the support of the Montana university system as provided in 15-10-108."

27. Page 6.
Following: line 21
Insert: "**Section 5.** Section 15-10-420, MCA, is amended to read:

"**15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less the current year's value of newly taxable property, plus one-half of the average rate of inflation for the prior 3 years.

(b) A governmental entity that does not impose the maximum number of mills authorized under subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill authority carried forward may be imposed in a subsequent tax year.

(c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

(2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly taxable property.

(3) (a) For purposes of this section, newly taxable property includes:

(i) annexation of real property and improvements into a taxing unit;

(ii) construction, expansion, or remodeling of improvements;

(iii) transfer of property into a taxing unit;

(iv) subdivision of real property; and

(v) transfer of property from tax-exempt to taxable status.

(b) Newly taxable property does not include an increase in value that arises because of an increase in the incremental value within a tax increment financing district.

(4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the release of taxable value from the incremental taxable value of a tax increment financing district because of:

(i) a change in the boundary of a tax increment financing district;

(ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

(iii) the termination of a tax increment financing district.

(b) If a tax increment financing district terminates prior to the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment financing district terminates. If a tax increment financing district terminates after the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.

(c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property that was constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current year market value of that property less the previous year market value of that property.

(d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real property that results in the property being taxable as class four property under 15-6-134 or as nonqualified agricultural land as described in 15-6-133(1)(c).

(5) Subject to subsection (8), subsection (1)(a) does not apply to:

(a) school district levies established in Title 20; or

(b) a mill levy imposed for a newly created regional resource authority.

(6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received under 15-6-131 and 15-6-132.

(7) In determining the maximum number of mills in subsection (1)(a), the governmental entity<u>:</u>

<u>(a)</u> may increase the number of mills to account for a decrease in reimbursements<u>; and</u>

<u>(b) may not increase the number of mills to account for a loss of tax base because of legislative action that is reimbursed under the provisions of 15-1-121(7)</u>.

(8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes of 15-10-108, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated by the department may not exceed the mill levy limits established in those sections. The mill calculation must be established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the calculation must be rounded up to the nearest tenth of a mill.

(9) (a) The provisions of subsection (1) do not prevent or restrict:

(i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;

(ii) a levy to repay taxes paid under protest as provided in 15-1-402;

(iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;

(iv) a levy for the support of a study commission under 7-3-184;

(v) a levy for the support of a newly established regional resource authority; or

(vi) the portion that is the amount in excess of the base contribution of a governmental entity's property tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703.

(b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes actually assessed in a subsequent year.

(10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating funds by a county or municipality during that time.

(11) The department may adopt rules to implement this section. The rules may include a method for calculating the percentage of change in valuation for purposes of determining the elimination of property, new improvements, or newly taxable property in a governmental unit.""

Renumber: subsequent sections

28. Page 7.
Following: line 15
Insert: "**Section 7.** Section 17-7-502, MCA, is amended to read:

"**17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120; 5-11-407; 5-13-403; 7-4-2502; 10-1-108; 10-1-1202; 10-1-1303; 10-2-603; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-4-301; 15-1-121; [section 3]; 15-1-218; 15-31-906; 15-35-108; 15-36-332; 15-37-117; 15-39-110; 15-65-121; 15-70-101; 15-70-369; 15-70-601; 16-11-509; 17-3-106; 17-3-112; 17-3-212; 17-3-222; 17-3-241; 17-6-101; 18-11-112; 19-3-319; 19-6-404; 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506; 19-20-604; 19-20-607; 19-21-203; 20-8-107; 20-9-534; 20-9-622; 20-26-1503; 22-3-1004; 23-4-105; 23-5-306; 23-5-409; 23-5-612; 23-7-301; 23-7-402; 37-43-204; 37-51-501; 39-71-503; 41-5-2011; 42-2-105; 44-4-1101; 44-12-206; 44-13-102; 50-4-623; 53-1-109; 53-9-113; 53-24-108; 53-24-206; 60-11-115; 61-3-415; 69-3-870; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 77-1-108; 77-2-362; 80-2-222; 80-4-416; 80-11-518; 81-10-103; 82-11-161; 87-1-230; 87-1-603; 87-1-621; 90-1-115; 90-1-205; 90-1-504; 90-3-1003; 90-6-331; and 90-9-306.

(4) There is a statutory appropriation to pay the

principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion of 19-20-604 terminates when the amortization period for the teachers' retirement system's unfunded liability is 10 years or less; pursuant to sec. 10, Ch. 10, Sp. L. May 2000, secs. 3 and 6, Ch. 481, L. 2003, and sec. 2, Ch. 459, L. 2009, the inclusion of 15-35-108 terminates June 30, 2019; pursuant to sec. 17, Ch. 593, L. 2005, and sec. 1, Ch. 186, L. 2009, the inclusion of 15-31-906 terminates January 1, 2015; pursuant to sec. 73, Ch. 44, L. 2007, the inclusion of 19-6-410 terminates upon the death of the last recipient eligible under 19-6-709(2) for the supplemental benefit provided by 19-6-709; pursuant to sec. 14, Ch. 374, L. 2009, the inclusion of 53-9-113 terminates June 30, 2015; pursuant to sec. 8, Ch. 427, L. 2009, the inclusion of 87-1-230 terminates June 30, 2013; and pursuant to sec. 5, Ch. 442, L. 2009, the inclusion of 90-6-331 terminates June 30, 2019.)""

Insert: "Section 8. Section 20-9-630, MCA, is amended to read:

"**20-9-630. School district block grants.** (1) (a) The office of public instruction shall provide a block grant to each school district based on<u>:</u>

<u>(i)</u> the revenue received by each district in fiscal year 2001 from vehicle taxes and fees, corporate license taxes paid by financial institutions, aeronautics fees, state land payments in lieu of taxes, and property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999<u>; and</u>

<u>(ii) any reimbursement to be made to a school district pursuant to subsection (2)</u>.

(b) Block grants must be calculated using the electronic reporting system that is used by the office of public instruction and school districts. The electronic reporting system must be used to allocate the block grant amount into each district's budget as an anticipated revenue source by fund.

~~(c) With the exception of vehicle taxes and fees, the office of public instruction shall use the amount actually received from the sources listed in subsection (1)(a) in fiscal year 2001 in its calculation of the block grant for fiscal year 2002 budgeting purposes. For vehicle taxes and fees, the office of public instruction shall use 93.4% of the amount actually received in fiscal year 2001 in calculating the block grant for fiscal year 2002.~~

~~(2) If the fiscal year 2003 appropriation provided in section 248(1), Chapter 574, Laws of 2001, is insufficient to~~

~~fund the school district block grants in fiscal year 2003 at the fiscal year 2002 level, the office of public instruction shall prorate the block grants to meet the remaining appropriation. School districts shall anticipate the prorated block grant amounts provided by the office of public instruction in their budgets for fiscal year 2003.~~

(2) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section, the office of public instruction shall determine the reimbursement amount as provided in the enactment and add the appropriate amount to block grant distributions under this section. The total of reimbursement distributions made pursuant to this subsection in a fiscal year must be added to all other distributions to the school district in the fiscal year to determine the distribution for the subsequent fiscal year. The block grant percentage increases in subsections (4)(a) through (4)(c) do not apply to reimbursements made under this subsection for the fiscal year of the first reimbursement but do apply to the block grant amounts in subsequent fiscal years that incorporate reimbursements added in previous fiscal years. For the purpose of this subsection, the fiscal year of the first reimbursement does not include the fiscal year in which the reimbursement under [section 3(3)(b)] is made.

(3) Each year, 70% of each district's block grant must be distributed in November and 30% of each district's block grant must be distributed in May at the same time that guaranteed tax base aid is distributed.

(4) (a) The block grant for the district general fund is equal to the ~~average~~ amount received in fiscal ~~years 2002 and 2003~~ year 2012, except for the amount received under [section 3(3)(b)], by the district general fund from the block grants provided for in ~~subsection~~ subsections (1) and (2). ~~The~~ Except as provided in subsection (2), the block grant must be increased by 0.76% in fiscal year ~~2004~~ 2013 and in each succeeding fiscal year.

(b) The block grant for the district transportation fund is ~~equal to one-half of~~ the ~~average~~ amount received in fiscal ~~years 2002 and 2003~~ year 2012, except for the amount received under [section 3(3)(b)], by the district transportation fund from the block grants provided for in ~~subsection~~ subsections (1) and (2). ~~The~~ Except as provided in subsection (2), the block grant must be increased by 0.76% in fiscal year ~~2004~~ 2013 and in each succeeding fiscal year.

(c) (i) The combined fund block grant is equal to the ~~average~~ amount received in fiscal ~~years 2002 and 2003~~ year 2012, except for the amount received under [section 3(3)(b)], by the district tuition, bus depreciation reserve, building reserve, nonoperating, and adult education funds from the block grants provided for in ~~subsection~~ subsections (1) and (2). ~~The~~ Except as provided in subsection (2), the block grant must be increased by 0.76% in fiscal year ~~2004~~ 2013 and in each succeeding fiscal year.

(ii) The school district may deposit the combined fund block grant into any budgeted fund of the district.""

Renumber: subsequent sections

29. Page 7, line 21.
Strike: "2"
Insert: "3"

30. Page 7, line 22.
Strike: "2"
Insert: "3"

31. Page 7, line 24 through line 25.
Strike: "If" on line 24 through "void." on line 25
Insert: "If House Bill No. 495 is passed and approved and if it includes a section that amends 15-1-121, then [section 1 of this act], amending 15-1-121, is void."

32. Page 7.
Following: line 25
Insert: "NEW SECTION. **Section 12. Saving clause.** [This act] does not affect rights and duties that matured, penalties that were incurred, or proceedings that were begun before [the effective date of this act]."
Renumber: subsequent sections

33. Page 7, line 27.
Strike: "date"
Insert: "dates"
Following: "date."
Insert: "(1)"
Strike: "[This act]"
Insert: "Except as provided in subsection (2), [this act]"
Strike: "on passage and approval"
Insert: "July 1, 2011"

34. Page 7.
Following: line 27
Insert: "(2) [Sections 2 through 8] are effective October 1, 2011."

- END -

HOUSE OF REPRESENTATIVES

Roll Call Vote

TAXATION COMMITTEE

DATE: 4/5/11 BILL NO. 371 MOTION NO.

MOTION: TO Amend SB037102.akj

NAME	AYE	NO	PROXY*
Vice Chairman Mike Miller	✓		
Rep. Dick Barrett		✓	
Rep. Alan Hale			No vote
Rep. Lee Randall	✓		
Rep. Mike Phillips		✓	
Rep. Steve Lavin	✓		
Rep. Austin Knudsen	✓		✓
Rep. Edie McClafferty		✓	
Rep. Max Yates	✓		
Rep. Janna Taylor	✓		
Rep. Sue Malek		✓	
Rep. Brian Hoven		✓	
Rep. Mary McNally		✓	
Rep. Steve Fitzpatrick		✓	
Rep. Kelly Flynn	✓		
Rep. Kathleen Williams		✓	
Rep. Jerry O'Neil	✓		
Rep. Wayne Stahl	✓		
Chairman Mark Blasdel	✓		

*If Proxy Vote, include signed Proxy Form with minutes

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10 8

HOUSE OF REPRESENTATIVES
Roll Call Vote
TAXATION COMMITTEE

DATE: 4/5/11 BILL NO. 371 MOTION NO. ______

MOTION: Be Concurred as Amended

NAME	AYE	NO	PROXY*
Vice Chairman Mike Miller	✓		
Rep. Dick Barrett		✓	
Rep. Alan Hale			No vote
Rep. Lee Randall	✓		
Rep. Mike Phillips		✓	
Rep. Steve Lavin	✓		
Rep. Austin Knudsen	✓		✓
Rep. Edie McClafferty		✓	
Rep. Max Yates	✓		
Rep. Janna Taylor	✓		
Rep. Sue Malek		✓	
Rep. Brian Hoven	✓		
Rep. Mary McNally		✓	
Rep. Steve Fitzpatrick	✓		
Rep. Kelly Flynn	✓		
Rep. Kathleen Williams		✓	
Rep. Jerry O'Neil	✓		
Rep. Wayne Stahl	✓		
Chairman Mark Blasdel	✓		

*If Proxy Vote, include signed Proxy Form with minutes

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12 - 6

HOUSE OF REPRESENTATIVES
Roll Call Vote
TAXATION COMMITTEE

DATE: 4/5/11 BILL NO. 372 MOTION NO. ____

MOTION: To Amend SB037205.akj

NAME	AYE	NO	PROXY*
Vice Chairman Mike Miller	✓		
Rep. Dick Barrett	✓		
Rep. Alan Hale			No Vote
Rep. Lee Randall	✓		
Rep. Mike Phillips	✓		
Rep. Steve Lavin	✓		
Rep. Austin Knudsen	✓		✓
Rep. Edie McClafferty		✓	
Rep. Max Yates	✓		
Rep. Janna Taylor	✓		
Rep. Sue Malek		✓	
Rep. Brian Hoven	✓		
Rep. Mary McNally	✓		
Rep. Steve Fitzpatrick	✓		
Rep. Kelly Flynn	✓		
Rep. Kathleen Williams	✓		
Rep. Jerry O'Neil	✓		
Rep. Wayne Stahl		✓	
Chairman Mark Blasdel	✓		

*If Proxy Vote, include signed Proxy Form with minutes

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15 3

HOUSE OF REPRESENTATIVES

Roll Call Vote

TAXATION COMMITTEE

DATE: 4/5/11 BILL NO. 372 MOTION NO.____________

MOTION: DC Pass As Amended

NAME	AYE	NO	PROXY*
Vice Chairman Mike Miller	✓		
Rep. Dick Barrett		✓	
Rep. Alan Hale			no vote
Rep. Lee Randall	✓		
Rep. Mike Phillips		✓	
Rep. Steve Lavin	✓		
Rep. Austin Knudsen	✓		✓
Rep. Edie McClafferty		✓	
Rep. Max Yates	✓		
Rep. Janna Taylor	✓		
Rep. Sue Malek		✓	
Rep. Brian Hoven	✓		
Rep. Mary McNally		✓	
Rep. Steve Fitzpatrick	✓		
Rep. Kelly Flynn	✓		
Rep. Kathleen Williams		✓	
Rep. Jerry O'Neil	✓		
Rep. Wayne Stahl		✓	
Chairman Mark Blasdel	✓		

*If Proxy Vote, include signed Proxy Form with minutes

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11 7

AUTHORIZED
COMMITTEE PROXY

I request to be excused from the House TAx

Committee because of other commitments. I desire to leave my proxy vote with:

Vice Chair Miller

Indicate Bill number and your vote Aye or No. If there are amendments, list them by name and number under the bill and indicate a separate vote for each amendment.

BILL/AMENDMENT	AYE	NO	BILL/AMENDMENT	AYE	NO
SB 295	X				
SB 371 A02	X				
SB 371	X				
SB 372 A03	X				
SB 372 A05	X				
SB 372	X				

Rep. [signature]
(Signature)

Date 4-5-11

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MONTANA House of Representatives
Visitors Register
HOUSE TAXATION COMMITTEE

Tuesday, April 5, 2011
SB 406 - Central assessment mediation instead of dispute review or tax appeal board
Sponsor: **Senator Jeff Essmann**

PLEASE PRINT

Name	Representing	Support	Oppose
C.J. [illegible]	MT DOR		X
Karen Powell	MT Tax Appeal Bd	(informational)	
David Gibson	Century Link	X	
Tom Ebzery	Rep: [illegible], Avista	X	
Tony Sch[illegible]	MT Taxpayers	X	
Amie [illegible]	Verizon Wireless	X	

Please leave prepared testimony with Secretary. Witness Statement forms are available if you care to submit written testimony.

MONTANA House of Representatives
Visitors Register
HOUSE TAXATION COMMITTEE

Tuesday, April 5, 2011
SJ 17 - Interim study of valuing centrally assessed property for tax purposes
Sponsor: **Senator Bruce Tutvedt**

PLEASE PRINT

Name	Representing	Support	Oppose
Tom Ebzery	[illegible]	X	
Dave Gibson	CenturyLink	X	
Tony Schlepp	MT Taxpayers	X	
Aimee Grmoljez	Verizon Wireless	X	
Gene Walborn	DOR - Info.		

Please leave prepared testimony with Secretary. Witness Statement forms are available if you care to submit written testimony.

MONTANA House of Representatives
Visitors Register
HOUSE TAXATION COMMITTEE

Tuesday, April 5, 2011
SB 358 - Generally revise tax increment financing districts
Sponsor: **Senator Edward Buttrey**

PLEASE PRINT

Name	Representing	Support	Oppose
Joe Briggs	Cascade County	X	
LINDA STOLL	MACo COUNTY	✓	
Ed Caplis	MT DOR	Info	
[illegible]	[illegible]	X	
Brenda Wiggers	Gt Fls Chamber	X	
Alec Hansen	MLCT	X	
EVAN BARRETT	GOV OFFICE	X AMEND	

Please leave prepared testimony with Secretary. Witness Statement forms are available if you care to submit written testimony.